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Postprint / Postprint

Sammelwerksbeitrag / collection article

Zur Verfügung gestellt in Kooperation mit / provided in cooperation with:

SSG Sozialwissenschaften, USB Köln

Empfohlene Zitierung / Suggested Citation:

Umbach, F. (2000). The regional power balance and potential hotspots. In *Panorama - insights into Southeast Asian and European affairs* (1/2000) (pp. 53-82). Singapur: Konrad-Adenauer-Stiftung. <https://nbn-resolving.org/urn:nbn:de:0168-ssoar-122045>

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The Regional Power Balance and Potential Hotspots^{*}

von

Frank Umbach

in:

Panorama: Insights into Southeast Asian and European Affairs 1/2000, S. 53-82

(a series of occasional papers published by the *Konrad-Adenauer-Stiftung's* "Regional Programme for Southeast Asia")

Abstract/Summary: The article looks at two strategic hotspots in East Asia from a European perspective. The author argues that a violent conflict in the Taiwan Strait or in the South China Sea might have economic and security implications not only for the region itself, but also globally, including for Europe. In his opinion, it is time to define Europe's strategic and security interests in the region as going beyond the present limited functional involvement in support of KEDO and multilateral security meetings such as ARF and CSCAP. His analysis provides an overview what happened during the last years concerning these two potential hotspots and to which extent a „shifting balance of power forces“ as well as its implications for regional stability and security can be identified.

Generally speaking, overall strategic trends in the Asia-Pacific region have been positive in many respects. The region's recovery from the Asian economic crisis has made visible progress, particularly in South Korea and Thailand. These states have taken initial steps to rebuild prosperous economies in a global competitive environment. These first steps, however, are only part of a longer and deeper socio-economic transformation which will only be successful at the end when transformation strategies are supplemented by coherent political reform processes aiming at the establishment of genuine democracies and pluralist societies. In this regard, the verdict on the longer-term sustainability of the present recovery is still open. Moreover, major security conflicts are still unresolved or have raised new instabilities throughout the entire region since the early 1990s, such as the present Taiwan Strait conflict. At the same time, the region stands at the precipice of an unprecedented arms race, fuelled by unprecedented economic growth and an increasing globalisation of security policies and partly driven by interregional and global dual-use technology transfers.¹ But in contrast to Europe and the Soviet-American strategic relationship in the Cold War, arms control policies continue to rank low on East Asia's agenda. Furthermore, East Asia's future strategic configuration will be determined by the changing norms of the international system, the revolution in military affairs (RMA), preoccupation of the major powers with their own domestic problems, accelerating trends of democratisation (with implications on foreign

^{*} The paper is based on a presentation at the third meeting of the "Waldbroel Group on European Coordination of Security Policies vis-à-vis Asia-Pacific", 28 March 2000, Waldbroel, Germany, and on the findings of a research project sponsored by the Volkswagen Foundation at the *Research Institute of the German Council on Foreign Relations (DGAP)* in Berlin. The author would like to thank the *Konrad-Adenauer-Foundation* and the editor of this series, Mr. Wolfgang Möller, in Manila for publishing this article as an Internet-version on the web-page of the DGAP.

policies) and spread of market economies, increasing intra- and interregional interdependencies (both economic and political) and the impact of the 1997/98 financial and economic crisis on domestic and external security.

European Perspective

From a European point of view, it is important to recall that armed conflict in the Taiwan Strait, or in the South China Sea could have not only regional but global economic and security implications. Any unpredictable dynamics of escalation of these three potential conflicts and hotspots might lead to inevitable unknowns about the extent, duration, and intensity of those confrontations. Unless carefully managed, conflicts in those two theatres have the potential to flare and escalate even into global conflicts. Given the complex and rapidly changing nature of East Asia's strategic chessboard, crisis and conflict prevention have become urgent requirements for East Asia in the years to come.

In this context, given the increasing "globalization of security policies" and acknowledging that present policies have not translated into real European influence in the Asia-Pacific region – and have particularly failed to do so at times of crisis and conflict - Europe and the EU should recognize the imperative to play a more substantial role. This could include the launching of a strategic dialogue with China and Taiwan about the consequences of an unprovoked attack or conflict. The unavoidable globalisation of both economic and security policies compels Europe – together with the US. and Japan – to shoulder a greater diplomatic and political burden than it has in the past.

The following analysis provides an overview of recent developments with regard to these two potential hotspots: the Taiwan Strait and the South China Sea. The various regional security implications of the Indonesian crisis and East Timor for the region, however, are not treated in a separate section, but they have been taken into account in the last chapter dealing with the perspectives of a shifting balance of power in East Asia.

New Escalations in the Taiwan Strait?

Recently increased tension between China and Taiwan in the run-up to Taiwan's presidential elections on March 18, 2000 have once again emphasised one of the region's major security risks.² Contrasting with its response to the 1996 presidential elections, however, Beijing this time chose to use words to impress Taiwanese candidates and voters rather than missile tests and large-scale manoeuvres in the waters surrounding the island republic. This change of mind could be explained by the fact that Beijing needs U.S. congressional approval to go ahead with its WTO accession. But different statements from the PRC Foreign Ministry, political circles and the People's Liberation Army (PLA) might be explained in two different ways: First, it could indicate a lack of clear leadership at the top of President Jiang Zemin's government, leaving policy on the sensitive Taiwan issue to be settled among hawks and doves. In this case, the doves would have prevailed, because rhetoric notwithstanding, Beijing's policies have been mostly reactive. Secondly, differing statements made prior to the Taiwanese presidential elections could reflect a division of labour rather than a division of views. However, the PLA was not alone in playing the "bad guy". Even Prime Minister Zhu Rongji himself came across as a hard-liner when declaring that the Chinese nation was ready to "use all their blood" to prevent the island's independence.³ To adequately analyse these developments, one would probably have to combine both explanations for analysing the development before the Taiwanese elections. Moreover, Beijing's general hard-line policy vis-

à-vis Taiwan is at least partially an attempt to divert popular attention away from its own growing domestic problems⁴ and to channel an assertive and xenophobic variety of nationalism.

China's "White Paper" on Taiwan, issued on February 21, 2000⁵ and thus meant to intimidate Taiwanese voters, was also confusing for foreign observers but could be interpreted as a compromise between hard-line and soft-line fractions in the party. On the one hand, the paper sent a clear message: China would attack Taiwan (1) if the island declared independence, (2) if it was occupied by a foreign power or, (3) establishing a new linkage, if Taiwan indefinitely refused to enter into negotiations on reunification. On the other hand, however, Beijing appeared to agree to one of Taipei's main conditions for political talks with China, namely that Taiwan be treated as an equal and not as a "local government". The White Paper refers to this principle of equality no less than five times. Overall, however, the policy paper seems to signal increasing impatience in Beijing. Moreover, as James A. Kelly, president of the Pacific Forum CSIS, has argued: "On balance, the policy paper is more about threats and lowering the threshold at which violence might occur than about motivating Taiwan."⁶ Indeed, President Jiang Zemin has declared repeatedly that he intends to make reunification of the motherland his own legacy. A resolution of the Taiwan issue would have to be brought about by the time the 17th Communist Party Congress convenes in 2007, when Jiang Zemin will be 81 and retire from the political scene.⁷

At the same time, the PLA - that has acquired an unprecedented potential for political influence⁸ and might be the biggest winner from increased tension with Taipei⁹ - has been asked to "prepare actively" for war with Taiwan. In an internal document sent by the Chinese Communist Party's Central Military Commission to all regional commanders, Beijing warns of an "increased possibility for a military solution" should non-violent means fail to accelerate the absorption of Taiwan. The document envisions a Blitzkrieg-like offensive with a first fatal missile strike so that "the Taiwan forces have no way to organise effective resistance." From the view of Beijing and the PLA's point of view, any backlashes on this issue, such as the proclamation in July 1999 by Taiwan's (former) President Lee Teng-hui's of a "two-country theory" - fuels mainland China's disintegration by encouraging independence for Tibet, Xinkiang and other occupied areas. The White Paper also mentions that it is very unlikely that European countries would come to Taiwan's rescue, but anticipates an U.S. intervention to defend Taiwan against an attack. Interestingly, the document is completely in line with the PLA's interest in "asymmetric strategies" to be used vis-à-vis the U.S. The PLA believes, for example, that such a conflict will not escalate into a nuclear missile exchange, because the U.S. will lose its will to fight and withdraw after suffering serious casualties, while the Chinese side will be able to absorb heavy casualties and prevail.¹⁰ Therefore, China does not need a real military balance with the U.S.

Although Beijing and Taiwan have engaged in a series of damage control measures since the stunning victory (with a voter turnout of astonishing 82 percent) of the pro-independence Democratic Progressive Party (DPP) in Taiwan's presidential elections, the victory of Chen Shui-Bian and the DPP in many ways marks a watershed in 5,000 years of Chinese and 400 years of Taiwan's history. By breaking from the Kuomintang's half century of power, the island made its thirteen-year democratization process irreversible. For Beijing, this development only heightens concerns that Taiwan has been drifting ever further away from the mainland, and is headed towards formal independence. In a good-will gesture, President-elect Chen Shui-bian ended a 51-year ban on direct trade, transport and postal links between several small islands (Kinmen, Penghu and Matsu) and the mainland and eased restrictions on foreign investors in Taiwan, including from China. Given the fact that the above-mentioned

islands lack substantial infrastructure and industry, the abolition of the ban on direct links is just a first step toward establishing such direct links across the Taiwan Strait.¹¹ These advances were also partly motivated by domestic considerations. Chen won with just 39 percent of the vote and therefore has no majority support in the parliament. Hence the new government will need a few foreign policy successes to be able to resolutely fight the endemic corruption (especially collusion between an asset-rich ruling Kuomintang party and local politicians) left by the Kuomintang, to fairly allocate central-government funding, and to break the links between organised crime and politics that have haunted the island for decades. These domestic priorities can hardly be ignored by Beijing: the new president and his government have but limited leeway for dealing with cross-Strait issues because they are confronted with more urgent priorities and problems to be solved at home.

While Beijing's government remained remarkably silent immediately after the Taiwanese presidential elections, a PLA source threatened Taiwan to liberate it with a two-million-soldier invasion force carried on 200,000 fishing boats, while adding a warning that nuclear weapons were a viable option, particularly so if the U.S. interfered.¹² Beijing's supposed interest to return to a more moderate policy can be explained by the fact that its failure to threaten Taiwan into submission may have undermined the CPC's domestic legitimacy (Chinese Communist Party). Furthermore, China has benefited considerably from business links with Taiwan. More than 60,000 Taiwanese companies have been actively engaged on the mainland and have invested some \$44 billion there. Taiwan has thus become the third largest investor for Beijing, and China the second-largest market for Taiwan exports. Two-way trade rose to a record \$25,8 billion last year, up 14,5 percent from 1998. Indirect trade between both sides has reached \$160 billion, 200,000 people from Taiwan live in mainland China and another 16 million have travelled there since 1987.¹³ To some extent, this growing economic interdependence confronts both sides with a dilemma as it affects and possibly constrains their respective political options. The dilemma is asymmetric, however, in that it primarily affects the weaker side, i.e. Taiwan.

Winning without Fighting

If present strategic trends continue, however, the military balance in the Taiwan Strait will be eroded within the next decade.¹⁴ In recent years, the PLA has revised its strategy for a Taiwan contingency.¹⁵ It now hopes to achieve its objectives "winning without fighting" a war, by wreaking economic havoc and instigating social unrest in Taiwan. Hence, "weapons" that target the Taiwanese media, the stockmarket, and the islanders' psychology have become an important part of China's military thinking on Taiwan and corresponding contingency strategies. However, and depending on the island's own policies and actions, gradual escalation strategies might still involve missile tests, a sea blockade, combined-force drills and a military build-up. Such strategies of attrition, based on a "war of nerves" designed to undermine the morale of the Taiwan population, could provide the PLA with the best chances to succeed in a major conflict while at the same time preventing - simultaneously with a number of deception techniques - a U.S. intervention.¹⁶ Whether these new military strategies will succeed depends on many variables. But one outcome appears to be assured: "Next times, nerves in Taiwan may be more steeled."¹⁷ Moreover, the missile tests in 1995/96 had been quite successful. They escaped Taiwan's early warning and detection radars¹⁸ and were much more accurate than U.S. experts had previously expected.¹⁹ It underscored both the progress the PLA has made in modernizing its missile force and specific military shortcomings on the Taiwanese side which was unable to detect the missiles and thus could not have destroyed

them. Only the US has sufficient signal intelligence (SIGINT) capabilities to detect such PRC missiles in "real time". Furthermore, the July 1995 and March 1996 missile tests were conducted in conjunction with broad multiservice exercises in which tactical ballistic missiles are going to play an integral part of future combined arms operations of the PLA.²⁰ It also underlined one of the major lessons of the crisis "that the PLA can challenge Taiwan's vital interests without direct engagement."²¹ Unsurprisingly, the PLA has also drawn its more painful lessons and will try to fare better next time. Furthermore, it has been 20 years ago since Taiwan's armed forces together with the US conducted joint military exercises. Thus the degree of intra-operability - technical, doctrinal as well as operational - and experience of joint military operations between the US and Taiwan's armed forces is rather limited.

While the PLA lacks currently a credible invasion force and will continue to do so until at least 2005, China has been rapidly increasing its short-range ballistic missile force in numbers as well as in quality.²² At the moment, the PRC is deploying an advanced, longer-range version of the DF-21, provisionally called DF-21X, with an extended range of 3,000kms and an improved accuracy.²³ Moreover, Beijing plans to launch six satellites before the end of the year which will improve the accuracy of its ballistic missiles and will allow detailed reconnaissance of Taiwan's defence capabilities. At the same time, the PLA has made considerable progress in developing manoeuvrable short-range ballistic missiles with ranges between 300-600km and has been developing a new generation of land attack cruise missiles to target accurately key Taiwanese military installations with the help of newly acquired dual-use technologies such as the Global Positioning System (GPS) and the Inertial Navigation Guidance System (INS).²⁴ These dual-use technologies are widely available on the civilian market. In 1999, China deployed 150-200 M-11 (range 300km) and M-9 (range 600km) short-range ballistic missiles in addition to 30-50 SRBMs deployed in 1995-96 in provinces adjacent to the 175-km-wide Taiwan Strait – most of them presumably with improved accuracy estimated to 20-30 metres by using GPS and INS minicomputers which are also widely available on the civilian market as a typical dual-use product. Reportedly, Beijing plans to increase that number to 650-800 missiles by the year 2005.²⁵ This rearmament is at least partially due to the fact that the PLA – in contrast to China's Foreign Ministry and other civilian ministries – continues to view the controversial missile tests of 1995 and 1996 as a political victory.²⁶ In few years' time, the Chinese missile build-up could shift the balance of deterrence in favour of mainland China and prompt Beijing to adopt more risk-taking policies vis-à-vis Taiwan. In response to the increasing missile threat, Taiwan will deploy three batteries with 200 Patriot missiles in northern Taiwan to protect the capital city and economic centre. However, the former present no watershed shield against every incoming missile.²⁷ Taiwan is therefore no longer interested in ballistic missile defence alone, but intends to develop and deploy its own offensive ballistic missiles vis-à-vis mainland China (such as the ballistic missile Tien-Ma with a range of 1,000km).²⁸ Taipei's current modernisation and procurement efforts can be explained by the wish to buy time for the democratization on mainland China rather than maintaining a real military balance.

While reunification of Taiwan is the overriding issue of Beijing's policy, any unprovoked missile attack or invasion of Taiwan would likely produce regional and global instabilities by provoking: (1) increased U.S. military supplies to Taiwan or even a U.S. military intervention, (2) Taiwan's rejection of reunification and declaration of independence, (3) Japan's rearming and tightening of the U.S.-Japanese security alliance, and (4) China's economic and political isolation from the global economy and Western sources of investment.

Thus far, Washington sticks to the political bargain struck with China in 1972: the U.S. will maintain a “One-China” policy for as long as Beijing desists from solving the Taiwan problem by other than peaceful means. It remains to be seen whether Beijing and Taipei will be able and willing to adhere to the inherent principles. The foreign policy implications of Taiwan’s remarkable democratization process are quite different from the situation when Washington and Beijing agreed on their Shanghai compromise. Presently, nobody can be sure whether all involved governments will ultimately be able to follow and to adopt to the new political realities as they are or whether the new realities will have to adopt to “the old 1972 understanding” between Washington and Beijing. Given the changing political environment in the region, the present situation can be viewed to some extent as being “unnatural”. Both the U.S.’s and China’s credibility are very much at stake with regard to Taiwan. Whereas Beijing has not rejected the original understanding, it has put greater emphasis on the “coercive” aspect of diplomacy and has simultaneously deepened the classic security dilemma by increasing its military arsenal vis-à-vis Taiwan in both qualitative and quantitative terms. The present situation will not and cannot last forever. Beijing needs to at least meet Taipei and the new political realities halfway in an effort to define and to find a new, more stable formula, for both its relations with Taipei and Washington. Furthermore, the electoral victory of Taiwan’s new president Chen Shui-bian has been the one outcome Beijing most feared and had wanted to prevent. The PRC’s message that “a vote for Chen is a vote for war” will make it much more difficult for the future to seek and find a compromise with the newly installed DPP government. Although Chen has proven his political farsightedness by ruling out holding a referendum on independence in the near future, and in spite of his offer of new economic ties and cooperation, Beijing and Jiang Zemin’s CPC, ultimately, can simply not trust him over the longer term. And although Taiwan appears ready to enter negotiations for reunification, it is simply not interested in the kind of outcome that Beijing is seeking. Therefore, negotiations will only transfer both sides’ mutually exclusive interests to a higher political level without resolving them. Given Beijing’s self-declared time-pressure to finalise those negotiations for reunification by 2007, inherent pressure and conflicts can probably only increase with every year the reunification is not emerging at the horizon. The next three to five years are thus predicted by most U.S. experts, to become a period of heightened tensions and potential crisis. Whether, as has been argued, there is a new “timetable without time limit”²⁹, remains to be seen in the forthcoming months and years. However, as Bates Gill recently argued, any political strategy for a peaceful resolution to the Taiwan issue must recognise the core value of the democratic evolution on Taiwan: “... acknowledging it, nurturing it, preserving it, and integrating its indisputable reality and dynamism into the ultimate settlement of the cross-Straits quandary.”³⁰

The Regional Code of Conduct for the South China Sea

“China’s claim to the South China Sea and its islets is so extreme that it is sometimes difficult to take [it] seriously. But we in ASEAN should not underestimate the firmness with which China is pursuing its designs on the Spratlys. Nor should we underestimate the extent of domestic support for Beijing’s chauvinistic foreign policy. We cannot discount the fact that China’s increasing assertiveness in its foreign relations has wide support inside the country. ...

We need to speak to China with one voice in regards to the South China Sea. China's sweeping claim to the Spratlys is not just about barren islets, some of which disappear at high tide. It is not just about fishing rights, marine resources, or even the hydrocarbon reserves widely believed to lie under the shallow waters of the South China Sea. It is about Southeast Asia's security and survival.

The South China Sea ... flows into the most complex series of maritime crossroads in the world. Just as the Mediterranean was the heartland of the classical civilisations of Southern Europe, West Asia, and North Africa, this great inland sea is Southeast Asia's strategic heartland."

(General Jose T. Almonte, former National Security Adviser and Director-General of the National Security Council of the Philippines between 1992-98, in March 2000³¹)

Although the ASEAN countries have increasingly arranged themselves with the PRC in the post-Cold War period since 1992, the nature of ASEAN's relationship to China has remained ambivalent³² and has had direct implications for ASEAN's relations with the other two major powers in Asia-Pacific, namely Japan and the United States. Whereas ASEAN's general engagement policies vis-à-vis China have been guided by the economic perspective of a huge Chinese market (in 1997, the World Bank has also rushed to conclusions that China's economy will surpass the United States by 2020 in terms of total output and total purchasing power³³), Beijing's ambiguous foreign and security policies have at the same time a major concern for the region. Rapid modernization of China's armed forces (including its nuclear arsenal)³⁴, Beijing's territorial claims of almost the entire South China Sea, and its "gunboat-diplomacy" towards Taiwan have raised widespread concern over irredentist tendencies on China's foreign and security agenda. The PRC's policy of underpinning its territorial claims with concrete political and military steps as well as the assertive nature of its Taiwan policy that does not rule out the use of force for achieving political objectives have alarmed even those segments of ASEAN's political elites that have always favoured close relations with China. At the same time, ASEAN states and China, all in a similar critical stage of political and socio-economic transformation, have been competing in world markets over foreign trade and investment.

Military Capabilities

In regard to the regional military balance, all Southeast Asian armed forces have only very limited power projection capabilities despite their own military modernisation programmes by incorporating high-tech weaponry and developing indigenous defence industries during the last years. China's armed forces as the "next superpower", by contrast, are facing so far no cuts due to the relative economic stability. As a consequence, the pace of China's military reforms and modernisation contributes to the security perception of a looming Chinese threat that might come real for its neighbours much earlier than had previously been assumed.³⁵

From an ASEAN point of view, China's sovereignty claims in the South China Sea and the way Beijing is pursuing its strategic goals – whether they be peaceful and benign or violent and assertive – are often being interpreted as a litmus test for ASEAN's future relationship with China and as a crucial factor for the preservation of regional stability in East Asia. Whereas policies of ASEAN's member states towards China have differed to some extent,

there is a general consensus that ASEAN solidarity would require common opposition to any use of force of the PRC.

During the Taiwan crisis from 1995-1996, and unimpressed by the presence of two U.S. aircraft carrier battle groups, Beijing told the Seventh Fleet to keep out of the Taiwan Strait, which is about 180 kilometres (115 miles) across and separates Taiwan from China's Fujian Province. The PRC claimed the passage as "Chinese waters". Shortly after the Taiwan crisis, on 15 May 1996, the Beijing government unveiled a new map which extends China's territorial claims in the South China Sea by over a million square miles – an expansion by seven times of its maritime sovereignty. But free passage through sea lanes of communication (SLOCs) such as the Taiwan Strait and shipping routes through the South China Sea are important prerequisites for regional security that would have to be guaranteed by the U.S. Navy in times of crisis. Washington has warned China that it will not accept any restrictions to the freedom of movement of U.S. warships and military aircraft in the South China Sea.³⁶ Other regional players such as Japan also have a strong interest in the stability of the area because of their sensitivity to any disruption of commercial navigation. Although Japan has renounced any claims over the Spratly Islands, it has vital security interest in open sea lanes and thus in the status quo, because about 75 percent of its energy imports and much of its merchant shipping passes through the South China Sea. Moreover, the involvement of Japanese oil companies in the Spratlys represents another determining Japanese security interest in the stability of the South China Sea.³⁷ But Japan is not the only non-ASEAN-country that has and should have a geostrategic interest in the freedom of SLOCs, given that 20 percent of the world's oil consumption and more than 200 ships transit the Strait of Malacca on any given day. In 1994, almost a trillion dollars worth of international trade, including more than half of ASEAN's trade, passed these sea lanes. Any uncontested sovereignty over the Spratlys would involve, least, some sort of indirect control over the shipping enroute to and from the Strait of Malacca.

According to the official PRC point of view as expressed in a 25 February 1992 "Law of the People's Republic of China on the Territorial Sea", and in striking contrast with the stance adopted by other claimants, there is no dispute because the respective islands have belonged to China for centuries. When passing the law, China shocked both ASEAN and Japan by actually including the Senkaku Islands and almost all elevations in the South China Sea into its territorial waters without taking note of rival claims. The PRC has also stated that it would defend its claims by military means as it did in 1988, when the PLA navy seized six Spratly islands while sinking two Vietnamese military vessels. It was no coincidence that this new assertiveness occurred shortly after the US had announced its withdrawal from the Philippines. This, in turn, compelled ASEAN to make an unprecedented statement (the 1992 Manila Declaration on the South China Sea), urging the peaceful settlement of conflicting territorial claims and the need to cooperate in order to ensure the safety of maritime navigation and communication as well as other forms of security cooperation.³⁸

Disregarding this appeal, China in early 1995 seized Mischief Reef about 150 miles west of the Philippine island of Palawan. Subsequently, relations between Beijing and Manila deteriorated and tensions increased with the arrests of Chinese fishermen and the destruction of Chinese markers by the Philippines navy. And whereas Manila opted for negotiations on a basis of international law, China did not consider itself bound by the Manila Declaration.

Indonesia's Claim

Beijing's "*historical claims*" and its militaristic policy towards Taiwan have also raised mistrust in Jakarta. Indonesia had usually tried to accommodate China, but a PRC map published in 1993 showed claims that included its natural gas-rich Natuna Islands. These islands are surrounded by one of the world's largest offshore gas fields containing an estimated 1.27 trillion cubic metres of recoverable gas – approximately 40 percent of Indonesia's total gas reserves.³⁹ Some Indonesian security experts have since recommended adopting a "more realistic" China policy and getting tougher on Beijing. Jakarta subsequently declared its intention to increase airforce patrols in the area and to encourage its citizens to resettle on the Natuna Islands. Indonesia also quietly urged the US to strengthen its engagement in the territorial dispute. In the summer of 1996, Jakarta launched its largest air, land, and sea manoeuvres so far to demonstrate its determination to defend its sovereignty of the islands.⁴⁰ Proposed legislation was to expand the country's sovereignty to some 5.8 million square kilometers of water and land.⁴¹ At the same time, a review of Indonesia's maritime security resulted in the creation of a National Maritime Council charged with devising policies on preservation and protection of the seas and the more than 17,000 Indonesian islands stretching along the Equator for 5,120 kilometers.

Given that the Indonesian navy remains a coastal defence force, Jakarta also felt compelled to widen and deepen its security and defence ties with Australia and the US. Indonesia's territorial waters were opened more widely for the passage of foreign warships, including submarines.⁴² The bilateral security agreement with Australia signed in December 1995 marked a substantial step away from Jakarta's traditional policies of non-alignment with important impacts on other outstanding security issues among both sides. Both countries were subsequently alleged to have developed a strategy to defend the Natuna Islands against a whole range of possible threats.⁴³ Jakarta and Canberra also entered into negotiations on a maritime boundary treaty that would bring almost three decades of tension and mutual distrust to an end.⁴⁴ Adjustments made in Indonesia's security policies over the last four years thus have strategic dimensions, going beyond national security policy, that have a considerable impact on ASEAN's relations with China and the other major powers in the region. Jakarta had obviously come to realise that ASEAN thinking on security was not an adequate response to long-term challenges like those Indonesia was facing in its maritime environment. China's sovereignty claim has ultimately fastened the reconfiguration, in both conceptual and operational terms, of the defence policies of Indonesia and other ASEAN states.⁴⁵

The Philippine Claim

On 28 October 1998, aerial reconnaissance by the Philippine Air Force have shown that China had recently completed new hardened structures on Mischief Reef, which is much closer to the Philippines than it is to China. These structures included fortified three storey-buildings, a new pier, an observation post, a military command centre, gun emplacements, and radar facilities at four different sites. A helipad was still under construction. The reef was guarded by Chinese naval ships and anti-aircraft artillery. The new facilities looked like fortifications, similar to, but bigger than those China already had on Chigua and Fiery Cross reefs.⁴⁶ According to most other Northeast and Southeast Asian states, this represented a clear violation of the previously agreed-to preservation of the status quo. Beijing's irresponsible and intimidating action has thus further undermined ASEAN's proposals for confidence building and regional security in the frameworks of ARF and CSCAP activities.

In response, the Philippine armed forces, comprising the weakest navy and air force in Southeast Asia, was ordered by President Joseph Estrada to boost its presence in the area with the deployment of additional vessels and reconnaissance aircraft. A major deployment of Philippine marines to Palawan and the Spratlys was reportedly under preparation.⁴⁷ Moreover, the Philippines navy detained 20 Chinese fishermen in the vicinity of Mischief Reef. Thereupon, Beijing warned Manila not to escalate the existing state of tension and to release the fishermen and six impounded vessels. On the occasion, the PRC reaffirmed its "indisputable sovereignty over the islands and the seas around them."⁴⁸ Unable to confront China militarily and to make any difference except by continuing to talk with the Chinese side and trying to get international public opinion behind it, Estrada pushed the January 1998 VFA with the US through ratification. The agreement provides for joint large-scale exercises between US and Philippine forces on Philippine soil and in the region.⁴⁹ Although China subsequently promised not to build any new structures in the Spratly islands, more renovation work as the Chinese side called it cannot be ruled out in the light of previous experiences. Although China has repeatedly offered "joint development, including fisheries development and exploitation on an equal sharing basis,"⁵⁰ realisation of such proposals remains dependent upon the readiness of the Philippine side to accept China's territorial sovereignty over the Spratly Islands. In the meantime, other regional countries have practised resource sharing in areas of overlapping claims to their mutual benefit.

For the Philippines, it is even more discomfiting that ASEAN partners such as Malaysia and Vietnam have been following unilateral strategies which risk undermining ASEAN's political cohesion. Malaysia's recently built infrastructure, for instance, for the purpose of "scientific studies on fisheries and the deep sea" on the Investigator (Peninjau) and Erica (Sipit) reefs in the Spratly island chain, which are equipped with a radar antenna and a helicopter landing pad, has provoked strong protests in both Beijing and Manila and has thus further undermined a common ASEAN position vis-à-vis China. Taiwan, by contrast, in November 1999 said it would exchange its marines on the Pratas (Tungsha) and Spratly (Nansha) islands as well as on two other major front-line islands groups in the Taiwan Strait (Kinmen and Matsu) for coast guards.⁵¹ In February 2000, the actual control of *Pratas* and *Taiiping* was shifted from the defence ministry to the Coast Guard Administration (CGA).

Feeling betrayed by China and by its own ASEAN partners,⁵² the Philippines saw no other alternative than strengthening their defence cooperation with the US and resumed large-scale joint military exercises with Washington.⁵³ In the meantime, President Estrada sought the help of Filipino-Chinese businessmen to find a *modus vivendi* with China and even suggested holding sports competitions among all claimants on one of the Spratly Islands, but this "soccer diplomacy" and bilateral contacts with China only resulted in a "dialogue of the deaf". On the one hand, Beijing in 1999 repeatedly promised self-restraint, on the other, the PRC repeatedly rejected Philippine demands for a commitment not to build new structures. Beijing also refused to tear down the newly-built infrastructure on Mischief Reef.

Meanwhile, the Philippine's 15-year military modernisation programme remains a subject of ongoing dispute due to a lack of funds and complex bureaucratic procedures. President Estrada has relaunched the programme with an initial investment of only six billion pesos (US\$ 157.9 million). Nonetheless, Manila is considering acquiring *Perry*-class and *Knox*-class frigates in the framework of transfers on a grant basis of excess military equipment from the US. The frigates in question would be the largest ships ever deployed by the Philippines navy.⁵⁴

China, however, may still believe it is able to achieve its objectives over time without resorting to massive confrontation with neighbouring claimant states. Beijing's present rather

contradictory policies and actions in the South China Sea follow a traditional "divide and conquer" strategy, and are fully in line with its strategic culture and notions of war and diplomacy.⁵⁵

Vietnam's Claim

In early 1997, Beijing raised the stakes again by conducting an oil and gas exploration drill off central Vietnam in waters claimed by Hanoi. Since the beginning of the "asymmetrical normalisation process" between Vietnam and China in 1991, China has violated Vietnamese territorial waters at least nine times.⁵⁶ But contrasting with the years of Vietnam's regional isolation, Chinese tactics this time backfired. Vietnam received significant political and diplomatic support by its fellow ASEAN members and even discussed a future military relationship with the US – a nightmare for PRC strategists fearing US containment. According to a comment made by an ASEAN-diplomat at the time: "Automatically ASEAN will support Vietnam. It's all for one and one for all."⁵⁷ However, ASEAN countries subsequently agreed to Beijing's insistence on bilateral negotiations to solve territorial disputes. On the other hand, they were rather suspicious as far as China's offer for "joint development" of disputed areas was concerned, viewing it "less as a genuinely conciliatory suggestion and more as a Chinese ploy to gain a foothold in areas claimed by the People's Republic" as Tim Huxley has argued.⁵⁸

The Position of the United States

Whether the US would want to incur such a risk for a few uninhabited islands in the South China Sea is indeed the crucial question for ASEAN security experts. Prior to the outbreak of East Asia's financial crisis in 1997, ASEAN defence policies and military doctrines were increasingly based on such a scenario which in turn determined acquisitions of state-of-the-art weapons systems.⁵⁹

Although China had verbally agreed not to change the status quo in the South China Sea through unilateral steps and to seek a peaceful solution through negotiations, the PRC has continued to test the political will of Vietnam and the Philippines as well as their support within ASEAN. In August 1995, Beijing and Manila agreed on a code of conduct to prevent any direct confrontation over the Spratly islands⁶⁰ which was signed in November.⁶¹ New multilateral security discussions and confidence building measures initiated since 1994 in the framework of ARF and CSCAP notwithstanding, China has not given up its claims to almost the entire South China Sea.

Moreover, despite signs of solidarity emerging within ASEAN when China tested its political will in 1995 and 1997, Beijing's efforts to pursue its strategy "at limiting alliances forming against it have been remarkably successful, particularly during the period they needed this success most: in establishing a physical presence in the Spratlys and gaining some recognition of the legitimacy of China's sovereignty."⁶² And indeed, China has rather successfully frustrated the attempts made by some ASEAN countries to internationalise the dispute, insisting on exclusively bilateral negotiations which provide the PRC with considerable strategic leeway vis-à-vis its much weaker opponents.

A Creeping Occupation?

Even more important for Beijing's strategy of "calculated ambiguity" was the timing of China's renewed aggressiveness.⁶³ Already in the past, China had consistently moved to reinforce its maritime claims towards others at times when the latter were weakened. Many regional observers have interpreted this behaviour as another indicator for the extent to which the balance of power and influence has shifted in China's favour since the onset of the region's economic crisis which weakened ASEAN economically, militarily, and politically. Furthermore, construction activities on Mischief Reef were resumed shortly before the annual APEC conference on 17 November 1998, during which China pledged funding for ailing Asian economies, and ASEAN's December summit in Hanoi. Therefore, and with public attention focused on the severe socio-economic and political crisis at home, the Philippines, unlike in 1995 and 1997, this time were unable to mobilise strong political support of its ASEAN partners. Once again, China's provocative policy in the Spratly Islands thus revealed the increasingly asymmetric power relations between China and the five other claimant states. Contrasting with the Diaoyu(tai)/Senkaku Islands dispute with Japan, rival claimants to the Spratly Islands have much less economic leverage over China that could constrain Beijing's assertive policies of "creeping occupation". The result has been opportunistic and sometimes aggressive Chinese behaviour⁶⁴, pattern that re-emerged in early 1998 when China built satellite relay stations on a group of islands over which Vietnam also claims sovereignty.⁶⁵

Decreasing ASEAN solidarity could even more than China's provocative behaviour have significant long-term security implications for the Association and regional stability. Kowtowing to China's increasing assertiveness risks encouraging more dangerous behaviour. ASEAN's Secretary-General Rodolfo Severino stated in late 1998: "We have bigger problems to deal with, particularly the economy."⁶⁶ As Ralph A. Cossa has concluded: "The message to China is that further expansion will not be seriously protested, much less contested. This is a recipe for potential disaster."⁶⁷ Indeed, in a context of "crisis management" and "preventive diplomacy", ASEAN's failure to confront China might increase rather than decrease prospects for further miscalculation on both sides. In this regard, China's ongoing provocative behaviour and future Philippine or Vietnamese counter- and overreactions constitute an "accident waiting to happen" that might trigger an otherwise unintended escalation. This trend is further reinforced by increases in competing commercial and military activities and the easy availability of new military hardware, as well as China's lack of recognition of the risks resulting from a unilateral "creeping occupation" that changes the status quo in the region. An unexplained 1996 clash between the Philippines navy and suspected Chinese gunboats 120 kms northwest of Manila, for instance, is just one example of such inadvertent naval confrontations.

Sovereignty and Globalisation

In this context, it is important to understand that it is not only the Chinese notion of territorial sovereignty that appears outdated in an era of globalisation. Even political reformers and dissidents have defended China's "national interest" in the South China Sea and its territorial claims as a "sacred duty."⁶⁸ In their view, China's territorial claims are basically "non-negotiable" and the use of force as an instrument of foreign policy and tool of coercion to achieve political objectives in the South China Sea cannot be excluded.⁶⁹ At the same time, Beijing remains opposed to submitting any claims to the International Court of Justice or the International Tribunal for the Law of the Sea as demanded by the Philippines and other ASEAN countries.⁷⁰

In this context, it is important to note that the Chinese understanding of territorial sovereignty is not only antiquated in the era of globalisation in regard to official positions of the Chinese government. Even political reformers and dissidents have defended China's "national interests" in the South China Sea and its territorial claims as a "sacred duty". In their view, China's territorial claims are ultimately "non-negotiable" and often even the use of force as an instrument of foreign policy and tool of coercion to achieve political objectives in the South China Sea cannot be excluded. At the same time, Beijing remains opposed to submitting any claims to the International Court of Justice or the International Tribunal for the Law of the Sea as the Philippines and other ASEAN states have called for.

Until today, China has mostly succeeded in isolating the Philippines by cultivating closer economic and political relations with other ASEAN countries. But since summer 1999, the Philippines and other ASEAN states have tried to manage territorial conflicts in the South China Sea by drafting an ASEAN code of conduct as a CBM and by exercising "self-restraint and refrain from unilateral actions" that might increase tensions. Manila had hoped that the code would deter China from building more structures in other parts of the disputed island chain. Even more important was the expectation that the code of conduct would restore ASEAN unity in dealing with sovereignty and maritime disputes in the South China Sea, thus strengthening ASEAN's collective leverage to constrain China's "creeping assertiveness" in the area. During the first half of 1999, the idea was discussed and endorsed in both "track one" (ASEAN summit, AMM and ARF) as well as "track two" (CSCAP, Workshop on Managing Potential Conflicts in the South China Sea) meetings. In August 1999, the Philippines presented a draft code on behalf of ASEAN; Beijing came out with its own version in October. Both drafts were discussed at the ASEAN-China meeting held in Manila in November 1999. On that occasion, the PRC refused to consider the Philippines draft but agreed to hold further discussions. Unlike the ASEAN document, the Chinese version did not contain an appeal to claimants to refrain from settling or erecting structures on presently uninhabited islands, reefs, shoals, cays, and other features in the disputed area. Both China and Malaysia then tried to delay procedures by arguing against a "hasty drafting" of the document and by insisting that they required a bilateral code of conduct.⁷¹ Moreover, the PRC has made its signature contingent on the acceptance of three proposed CBMs: (1) notification of any joint military exercises held in disputed areas (where Beijing does not risk having to reciprocate), (2) attendance by Chinese officials as observers at joint exercises, and (3) humane treatment for arrested fishermen. Ultimately, however, China is determined to see an end to any joint military exercises and military operations around the Spratly Islands and thus to prevent any US interference in this or other bilateral conflicts in the region.⁷² Furthermore, Taiwan as one of the claimants and an important financial contributor to many co-operative projects, following PRC pressure, has not been invited to participate in the formulation of the code of conduct. This omission is shortsighted and counterproductive for all other claimant states, because it leaves Taipei with much room for manoeuvring in its future activities in the South China Sea.⁷³

Moreover, ASEAN agreed to two major revisions to the Philippine draft. First, the definition of disputed areas was adjusted to comprise of both the Spratlys and the Paracel Islands, as Hanoi's dispute with China covered both archipelagos. China, by contrast insists that the code should be applied only to the Spratly Islands. Secondly, exploration and exploitation of resources in disputed areas was deleted from the list of potential areas of cooperation.⁷⁴ It is not only China, but also Vietnam and the Philippines who remain reluctant to enter into any joint development projects before territorial disputes are resolved. In the meantime, more discussion is required to finalize the text. Once adopted, such a code could help to build trust, enhance cooperation, and reduce tension in the Spratlys. However, it would be naive and

unrealistic to believe that it would contribute to resolving territorial disputes in the South China Sea. In the past, China has signed bilateral codes of conduct with the Philippines (August 1995) and Vietnam (November 1995), without abiding by the very principles spelled out in these agreements. Neither the above-mentioned codes nor Beijing's signing of the UN Charter of the Law of the Sea (UNCLOS) in April 1996 have deterred the PRC from extending the structures it had previously built on disputed islands in the South China Sea. Furthermore, agreements such as the newly-proposed regional code of conduct are declarations of intent rather than legally binding instruments which oblige legally contracting parties to abide by the terms provided in the treaty.

As long as ASEAN shies away from collectively confronting China as had been the case in 1995 and 1997, Beijing will hardly feel prompted to halt its creeping assertiveness" in the South China Sea.⁷⁵ Significantly, the PRC has also offered to sign the protocol to the Southeast Asia Nuclear Weapons Free Zone Treaty (SEANWFZ) – provided that it does not cover Exclusive Economic Zones (EEZs) and continental shelves in the Asia-Pacific region.

During the first months of 2000, the situation has not improved significantly. Chinese fishing vessels are still fishing in the vicinity of Scarborough Shoal, and Chinese aircraft have been spotted flying over the Philippines' territorial waters. This has resulted in new Philippine attempts to force PRC fishing boats to leave and in new diplomatic protest by Manila.⁷⁶

Against this background, the US attempt to stay neutral for as long as the freedom of navigation is guaranteed and SLOCs remain open and to otherwise adhere to an excessively legalistic interpretation has provided China with opportunities to skilfully advance its "creeping assertiveness" by playing on legal ambiguities reinforced by US policies. In the meantime, certain experts and policy circles in Washington have become more concerned about the present situation.⁷⁷ Obviously, future US policies towards the South China Sea remain critical for stability in the entire Southeast Asian region.

A Shifting Balance of Power?

Despite the fact that the U.S. has retained the strategic balance of military power by maintaining 100.000 troops in the Asia-Pacific region as evidence of its commitment, human right concerns, a new "donorgate" scandal and other domestic issues in the U.S. Congress as well as the Western policies to punish Burma seemed to have driven the Southeast Asian states closer to China and Japan at the end of 1997.⁷⁸ Washington's rather muted response to the currency and financial crisis in Southeast Asia has sowed new suspicions and fuelled conspiracy theories and anew anti-American sentiment in the region. It was particularly the slow speed of the U.S. response to the crisis (which had far-reaching impacts on Southeast Asian domestic and foreign policies, as well as the political instability in Indonesia with dangers of a "Balkanisation" and the re-emergence of traditional conflicts between ASEAN member states such as between Malaysia and Singapore) that made it possible for China to strengthen its influence at the expense of the U.S and as a counterweight to the U.S.-Japanese security alliance. Compared with other regional players, China, by contrast, appeared to be relatively stable in both political and economical terms. Moreover, Beijing had launched a diplomatic campaign to fashion a modern version of the Middle Kingdom in the region. It included a \$1 billion aid-programme to the IMF-led rescue plan for Thailand and Indonesia.⁷⁹ In sum, it looked as though the strategic balance of political influence had increasingly tipped in favour of China which was trying to capitalize on ASEAN's weakness and Japan's lack of

leadership as well as its inability to abandon its “virtual crisis response policies” in Southeast Asia.⁸⁰

At the beginning of the crisis, Japan had appeared to be a more promising economic ally. Later, however, and a US\$ 30 billion rescue plan for Southeast Asia notwithstanding, Tokyo’s bureaucratic and political elites showed serious weaknesses in dealing with their own home-made crisis.⁸¹ Given the lack of Japanese leadership and Washington’s initially slow response to the financial and economic crisis as well as its inability to communicate without raising suspicions, it looked as though economic woes were compelling Asia-Pacific countries to forge closer relations with China. One indicator for such a strategic shift was the so-called “imperial intrigue” between Malaysia’s Prime Minister Mahathir Mohamed and China’s Premier Li Peng that transpired on the occasion of the first annual East Asian (ASEAN-plus-three) summit meeting in December 1997. Furthermore, from an American point of view, China and ASEAN were trying to foster a sense of unity by excluding the US.⁸²

Whereas all claimants to territories in the South China Sea have stated their preference for peaceful solutions and negotiations, China appears to have kept the military option open. Arguments put forward by Western experts that occupied islands can not be defended by the PLA presently⁸³ overlook the fact that China is a growing nuclear power and that ASEAN countries as well as Japan, Taiwan, and others lack sufficient amphibious forces to recapture occupied islands. Only the US has sufficient and effective amphibious capacities to perform such a task in the South China Sea. But making use of the military option would constitute a high risk game for Washington, too. Reliance on aircraft carriers and *Aegis*-equipped surface escort ships, for instance, would be inadequate if not dangerous in littoral conflicts in the Taiwan Strait or the South China Sea.⁸⁴ Ultimately, what matters in this respect are security perceptions and expectations rather than objective strengths and weaknesses of claimant countries. Military history, including that of China, has abundant examples of weaker forces defeating much stronger rivals. Circumstances, motivation, and a superior strategy have often been more important than numbers.

In reality, however, neither Japan nor China have replaced the U.S. in the Asia-Pacific region as a stabilising force, principal balancer, and “benign hegemon”, nor will they do so in the foreseeable future. China has certainly the political will to take over this role, but it still lacks the economic power to assume Japan’s role of an economic leader. The Japanese economy is six times that of China and accounts for more than 70 percent of total East Asian economic output and purchasing power. Moreover, Tokyo contributed \$80 billion altogether towards coping with the Asian financial crisis whereas China provided only 1 billion.⁸⁵ Meanwhile, China itself has been infected by the regional crisis, albeit in rather different ways. China is confronted with a looming financial and banking crisis in the short-term future and a potentially more severe socio-economic destabilisation as well as a domestic political crisis in the mid-term perspective due to the current transformation and reform policies of its economic and political system undermining the communist ideology and the legitimisation of the political regime. Over the next few years, Beijing will be facing unprecedented socio-economic challenges that could severely impact on the stability of the PRC’s political system (i.e. widespread corruption or the spread of religious-based movements such as Falun Gong or Zhong Gong). China is also suffering from widespread unemployment with 100-130 million people (about the size of the population of Japan) which is bound to further increase in the next years. Whereas corruption has become endemic, economic progress has been increasingly uneven among southeastern provinces on the one hand and interior rural areas on the other hand. Combined with recent protectionist trends, slower growth in export markets, lower product prices and increasing competition from Latin America, pressures to devalue the

renminbi and to subsidise its exports could increase - a development that ultimately threatens China's WTO accession.⁸⁶ It could also result in Chinese efforts to take market share away from its Southeast Asian neighbours, which in turn would lead to new economic and political conflicts between Beijing and ASEAN. At the same time, China's self-image of a new Middle Kingdom as an "unsatisfied power" provides a striking contrast with the economic and military realities as an "incomplete great power".⁸⁷ Some Chinese economist experts have already concluded that "China has turned from a regional stabiliser to a regional risk factor".⁸⁸ But regional foreign policies are considerably driven by perceptions. And here one can identify a perceptual gap existing in East Asia between the objective assessment of China's political, economic and military prowess on the one hand and perceptions of a PRC rising to dominant power status on the other. Even those Asian experts who have concluded that the U.S. rather than China is the political "winner" of the present East Asian financial and economic crisis ask for how long that state of affairs can be maintained before Beijing replaces Washington.

And yet, criticism directed at the U.S. and the West in general by some ASEAN states after the outbreak the currency and financial crisis in the summer of 1997 was often very ambivalent and largely unconvincing. When outside help was offered, it was initially turned down because it did not represent an "Asian solution to Asian problems". As Gerald Segal has criticized: "Many of the Southeast Asians who used to deride the Americans and Europeans as powers in decline now complain that Westerners are not doing enough to assist them. ... The moaners in Southeast Asia are the most infuriating - the biggest free-riders on American deterrence of China and defence of the global economy, and yet the quickest to carp."⁸⁹

Furthermore, the Malaysian security expert Joon Num Mak has reminded the ASEAN states that "the 'ASEAN way' was effective in managing sub-regional tensions only because there was a security umbrella provided by the USA which looked after the main external threats to the region".⁹⁰ Thus the criticism made by some of the ASEAN states provided a striking contrast to the central economic and political role the U.S. played in the framework of international organisations for working out specific rescue plans for the ASEAN states. Furthermore, in the security field, the U.S. as a "status quo power" has expanded its military-to-military co-operation not only with Japan, South Korea and Taiwan but also with ASEAN countries such as Singapore, Thailand and the Philippines. Maintaining the forward presence of the U.S. armed forces in the Asia-Pacific has been facilitated by activities such as port calls, repair, joint training and logistical support.⁹¹ In sum, Southeast Asia's economic, political and military-strategic dependence on the U.S. has increased rather than declined as a result of the multiple crisis affecting the region.

While ASEAN has been very successful in developing informal approaches of co-operation and in avoiding conflicts, it has also been able to increase its political and economic leverage over the last ten years despite its inherent diversity and due to its remarkable economic growth and its increasing intra-political and economic cooperation. Nonetheless, external factors will continue to considerably influence the stability and future prosperity of the ASEAN-states. Therefore, the amount of political leverage the ASEAN countries have to enable them to organize a peaceful change within member countries and the entire region also depends on the preservation of stable and peaceful relations within the triangular relationship of the United States, China and Japan. However, both the crisis and ASEAN's inability to build an alliance to defend members' territorial claims against China have undermined the political cohesion of the Association and thus weakened its leverage vis-à-vis Beijing.

Some sympathy with China's opposition to US pressure notwithstanding, ASEAN has always been careful not to openly side with the PRC in calling for a withdrawal of US forces from East Asia. If it agrees with China's project to build a multipolar world, then it is for different reasons. Several ASEAN countries have held joint exercises with the US and have allowed the 7th Fleet to use their repair and other facilities. Bilateral defence arrangements of individual ASEAN members with external powers such as the UK, Australia, and the US have been strengthened in recent years because of perceived Chinese hegemonial ambitions. However, each ASEAN country takes a different attitude towards China's attempts to assume a dominant or hegemonial role. Moreover, important as ASEAN's "constructive engagement" policies towards China may be, the development of Beijing's policies in the region primarily depend on the evolution of PRC domestic politics, over which China's neighbours have little or no direct influence.

The strategic value of the South China Sea results for all neighbouring countries not only from assumed rich resources like oil, gas, minerals and fisheries but equally from the open and free movement of the major international shipping lanes in the South China Sea which are particularly essential for Japan, South Korea, Taiwan and Singapore. Nearly a quarter of the world's ocean freight and over half of the world's merchant fleet capacity passes through the South China Sea and the major Southeast Asian chokepoints such as the Straits of Malacca, Sunda, and Lombok.⁹² The signing of the 1982 UN Convention of the Sea (UNCLOS) and the spectacular economic growth and regional trade have reinforced the importance of the archipelagic sea-lanes in East Asia. The Malacca-Strait, the alternative Sunda and Lombok passageways and the sea-lanes around the Spratly islands are now recognised as being among the most critical choke-points, which are of vital security concern to virtually all states in South- and Northeast Asia. Any unilateral control of the maritime area and the major shipping lanes or any mining of those maritime choke points⁹³ have widespread economic and military implications as it was the case during World War II when Japan used the Spratly islands as a military springboard for the invasion of the Philippines, Malaysia (formerly Malaya) and Indonesia (at that time, Dutch East Indies). The only real political solution seems to be a joint development of the potential oil and gas deposits. Thailand, Malaysia, Vietnam, Indonesia, Australia, Japan and South Korea have already chosen this approach for their mutual benefit. China as the main player and perceived potential hegemon, however, has so far not really offered the willingness for a joint development of disputed areas in the South China Sea despite all verbal assurances for a peaceful settlement of disputes. Beijing's willingness for a joint development remains dependent on the acceptance of China's sovereignty over the Spratly islands and almost the entire South China Sea as Chinese "internal waters".

Whereas China is perceived by all ASEAN countries, albeit to different extents, as the major potential long-term threat to regional stability, Japan is being viewed in more positive terms at least for as long as Tokyo does not totally dominate regional economies, accepts partners as equals, and does not unilaterally extend its military role to Southeast Asia. Also whereas the PRC's power has been growing and ASEAN has occasionally made use of Japan as a countervailing power to China's military might, Tokyo itself has been eager to enhance cooperation and dialogue with ASEAN. However, Members' cautious response to the 1997 "Hashimoto-doctrine" indicated that a more prominent Japanese role in the security of the region would be the result of domestic developments and US support rather than of attitudes taken by neighbouring countries. Given Japan's domestic and external constraints to assume such a role anytime soon, Tokyo's political options as a "constrained power" in dealing with volatile and politically charged challenges remain limited by a combination of domestic and external factors. Therefore, Japan's government would require a strong political will to accept new security obligations and to initiate a broader and open security debate with its own public

so as to give new directions to its foreign and security policies. As has been the case with ASEAN's relation with China, the relationships and attitudes of ASEAN members vis-à-vis Japan have differed somewhat, including specifically the question whether and to what extent Tokyo should shoulder more regional and international obligations in the field of security. Although there is recognition in ASEAN of Japan's important contribution to the region's economic growth and political stability, views of a larger Japanese political and security role remain largely ambivalent.

Nonetheless, by its own standards, Japan is in the midst of a "revolution" in terms of its future regional security and defence policies. In February 2000, the Japanese foreign ministry announced that Tokyo would be willing to contribute armed coastguard vessels to multinational anti-piracy patrols in the Malacca Straits.⁹⁴ Japan has thus interpreted its constitutional notion of "self-defence" as including waters more than 2,000 miles away from Tokyo. The steady extension of the defence perimeter mirrors the strategic importance of SLOCs and the South China Sea for the economic survival of Japan as well as the increasing strategic and geopolitical rivalry with China in East Asia and beyond. The October 1999 hijacking of a large Japanese vessel by pirates and increasing economic and political instability in Indonesia have underscored the need for outside assistance to cope with the threat of piracy in the region. To counter historical anti-Japanese sentiments and mistrust in Southeast Asia, Japan will dispatch less-conspicuous, civilian-controlled coastguard vessels of its Maritime Safety Agency instead of regular military vessels of its Self-Defence Forces. Contrasting with past practice, several Southeast Asian governments have accepted the offer, thus also signalling a concern with maintaining the regional balance of powers. India, too, appears determined to counterbalance China's increasing influence and has established an informal but deepening security-cooperation with Japan and Vietnam.⁹⁵

Tokyo's ongoing search for a future role in the region, presently reflected in an unprecedented debate over the possible revision of the anti-militaristic and pacifistic Article 9 of the Japanese Constitution⁹⁶, is a sign that Japan has been slowly coming to grips with a reality it used to deny: "It (Japan) is a great power with strategic interests as pressing as its economic ones."⁹⁷

Given lingering mistrust in the region as well as fears that a more proactive Japanese role could complicate ASEAN's relations with China, Tokyo can only assume more responsibility by maintaining its alliance with Washington and abstaining from unilateral approaches. Even then, Japan's role will increase and evolve only gradually and incrementally. Nonetheless, Japanese experts have indicated that possible future security assistance might include the transfer of military equipment and technologies to ASEAN countries, as well as the training of ASEAN military personnel and development of close bi- and multilateral security consultations⁹⁸, projects that are not altogether new.

Against this background, and given China's suspicion of a redefined US-Japan alliance, Washington and Tokyo need to demonstrate that their pact aims to preserve regional peace and stability rather than contain the PRC. In this respect, and considering Japan's repeated efforts to involve Beijing in closer bi- and multilateral security dialogues, ASEAN can play a useful role in reassuring China that the re-definition of the alliance is in the interest of the entire region and not specifically directed against China. Beijing, in turn, has to recognise that disputes with Taiwan are an internal matter only as long as they do not turn violent and affect the security interests of other neighbouring countries.

Ultimately, however, regional stability will depend on a strong and sustained US engagement, including the maintenance of substantial political, economic, and military means as well as stability in the Japan-China-US triangle at a time when all three operate from positions of relative strength. China's future internal stability and the direction of its foreign

policies as well as ASEAN's political coherence (particularly following admission of Laos, Myanmar, and Cambodia) will largely determine to what extent the Association will be able to raise its voice in the region and on the global level. The more China follows an assertive or even aggressive policy as it has in the South China Sea, the more ASEAN's relations with third parties, namely the US and Japan, will again assume a greater importance. And the more ASEAN becomes dependent on these two powers, the more it will ultimately obstruct or reduce its own independent influence in the region and beyond. In such circumstances, the Japan-China-US triangle would acquire even greater importance for the stability of the entire Asia-Pacific region. Therefore, Washington's bilateral alliances, supplemented by multilateral security structures such as ARF, CSCAP, and other "track-two" activities, will remain the bedrock of regional stability, particularly so during times of socio-economic and political transition and the rise of China to a potentially unprecedented economic, political, and military power in the region.⁹⁹ In this context, the US-Japan alliance will remain the linchpin of ASEAN's stability; Japan's security in general; and preservation, for the time being, of Japan's, South Korea's and Taiwan's non-nuclear weapon status.¹⁰⁰

Against this background, Europe should ask herself whether it makes sense to continue a traditional foreign policy vis-à-vis the Asia-Pacific region that is almost exclusively defined by economic interests. This would run counter to the EU's "Common Foreign and Security Policy (CFSP)" and strategic security interests in the region and worldwide. In this context, Europe still has to recognise that instability or armed conflict on the Korean Peninsula, in the Taiwan Strait, and in the South China Sea will both directly and indirectly affect European and global security and stability. Therefore, it is time to define Europe's strategic and security interests in the region as going beyond the present limited functional involvement in support of KEDO and multilateral "track one" and "track two" security meetings such as ARF and CSCAP.

¹ See Frank Umbach, 'Financial Crisis Slows But Fails to Halt East Asian Arms Race - Part One', *Jane's Intelligence Review (JIR)*, August 1998 (in English), pp. 23-27; Part Two, *ibid*, September 1998, pp. 34-37; *idem*, 'Economic Slowdown and the Impact on Regional Military Modernization in Asia-Pacific', paper presented at the Biennial Conference of the Asia-Pacific Center for Security Studies (APCSS), Honolulu, 30 August-2 September 1999; *idem*, 'Strategic Changes in Asia-Pacific - The Dimension of Military Diffusion and Proliferation of Advanced Conventional Weaponry', in: Joachim Krause/Frank Umbach (Eds.), 'Perspectives of Regional Security Cooperation in Asia-Pacific: Learning from Europe or Developing Indigenous Models?', *Arbeitspapiere zur Internationalen Politik* (ed. by the Research Institute of the German Society for Foreign Affairs), No. 100, Bonn, September 1998, pp. 43-69 and *idem*, 'Nuclear Proliferation Challenges in East Asia and Prospects for Cooperation - A View from Europe', in: Kurt W. Radtke/Raymond Feddema (Eds.), 'Asian Concepts of Comprehensive Security and Their Implications for Europe' (Leiden-Boston-Köln: Royal Brill Publishers), 2000, pp. 66-133 (also available as an Internet version on the web-page of the DGAP – see <http://www.dgap.org>).

² To the background see also Kay Möller, 'Taiwan als Problem internationaler Sicherheitspolitik', *SWP-AP* 3121, March 2000.

³ See Elisabeth Rosenthal, *International Herald Tribune (IHT)*, 16 March 2000, pp. 1 and 6.

⁴ In 2000, more than 11 million workers are expected to lose their jobs in state enterprises.

⁵ The document is available via Internet - <http://www.nytimes.com/library/world/asia/022200china-taiwan-text.html>.

⁶ James A. Kelly, *IHT*, 13 March 2000, p. 8.

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- ⁷ See Robert Kagan, IHT, 13 March 2000, p. 8.
- ⁸ See also F.Umbach, 'Militärmacht China? Sicherheits-, rüstungs- und militärpolitische Strategien und ihre Auswirkungen auf die regionale Stabilität', in: Hanns-Seidel-Stiftung (Ed.), 'Chinas Rolle in der Weltpolitik an der Schwelle zum 21. Jahrhundert', Reihe: 'Argumente und Materialien zum Zeitgeschehen' (forthcoming), 39 pp. (or can already be found on the web-page of the DGAP –<http://www.dgap.org>).
- ⁹ See John Pomfret, IHT, 24 February 2000, pp. 1 and 5.
- ¹⁰ The entire document is reprinted and can be found in the Internet: <http://www.insightmag.com/archive/200003057.shtml>.
- ¹¹ See John Pomfret, IHT, 22 March 2000, pp. 1 and 2.
- ¹² The weekly "Haowangjiao" has published this 16-page article detailing military options to retake Taiwan - see 'Easing of Taiwan Strait Tensions Temporary', Stratfor.com, 23 March 2000 (<http://www.stratfor.com/asia/commentary/0003230019.htm>); See also 'Chinese Military Paper Warns Taiwan and U.S.', NAPSNET Daily News, 21 March 2000 and 'PRC Journal Reveals Strategy to Deal with US in Chinese Unification', *ibid*, 24 March 2000
- ¹³ See Wall Street Journal Europe, 21 March 2000, p. 12 and John Pomfret, IHT, 22 February 2000, pp. 1 and 4, here p. 4.
- ¹⁴ See also David Shambaugh, 'A Matter of Time: Taiwan's Eroding Military Advantage', in: The Washington Quarterly, Spring 2000, pp. 119-133 and Frank Umbach, 'The Military Balance in the Taiwan Strait and Its Implications for Regional Security', paper prepared for the conference: 'The Development of Contemporary Taiwan and its Implications for Cross-Strait Relations, the Asia-Pacific Region and Europe', INPR, Taipei, December 16-17, 1998.
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- ²⁶ See James Kynge, FT, 11 February 1999, p. 12 and Robert Kagan, IHT, 13 March 2000, p. 8.
- ²⁷ See Asian Defence Journal (ADJ) 3/1999, p. 56.
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- ³⁰ Bates Gill, Washington Times, 23 March 2000.
- ³¹ Jose T. Almonte, 'ASEAN Must Speak with One Voice on the South China Sea', PacNet Newsletter, No. 11, 17 March 2000.
- ³² See also ibid and Lee Lai To, 'Der China-Faktor in der Sicherheitspolitik Asiens', Internationale Politik 6/1997, pp.17-22.
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- ³⁴ See F. Umbach, 'The Military Balance in the Taiwan Strait and Its Implications for Regional Security', and idem, 'Nuclear Proliferation Modernization and Proliferation Challenges in East Asia and Prospects for Cooperation - A View from Europe'.
- ³⁵ To the impacts of the financial and currency crisis upon the armed forces and their procurement programmes in East Asia see again F.Umbach, 'Financial Crisis Slows But Fails to Halt East Asian Arms Race - Part One' and Part Two.
- ³⁶ See Michael Richardson, IHT, 19 September 1996, p. 4.
- ³⁷ Moreover, historically, Japan occupied the Spratly islands and reefs in 1939. The Japanese imperial navy used one of the islands, *Tai ping Dao*, as a submarine base in the World War II. At the San Francisco conference in 1951, Japan renounced all claims to the *Spratlys*, but it never resolved the ownership of the islands. To direct and indirect Japanese interests at the *Spratlys* - see Koichi Sato, 'The Japan Card', FEER, 13 April 1995, p. 32.
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- ⁴¹ See 'Indonesian Parliament Endorses Law on Territorial Waters', ADJ, August 1996, p. 54.
- ⁴² See Michael Richardson, IHT, 16 May 1996, p. 4.
- ⁴³ According to Australian sources, Indonesia had requested its assistance. The joint draft plan includes placing radars and surface-to-air missiles on the production platforms and creating surveillance by airborne early warning and control aircrafts, satellites or long-range radars - see New Straits Times, 1 August 1997, p.27, and 'Defence Links with Indonesia Growing', Jane's Intelligence Review & Jane's Sentinel *Pointer*, February 1997, p. 10.
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- ⁵⁵ See Chris Roberts, 'Chinese Strategy and the Spratly Islands Dispute', Working Paper No.293 (Canberra: Strategic and Defence Studies Centre/The Australian National University, April 1996).
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- ⁵⁹ See also F.Umbach, 'Strategic Changes in Asia-Pacific', and Kusnanto Anggoro, 'Strategic Changes in Asia-Pacific: The Dimension of Military-Technology Diffusion and Proliferation of Advanced Conventional Weaponry', in: Joachim Krause/Frank Umbach (Eds.), 'Perspectives of Regional Security Cooperation in Asia-Pacific: Learning from Europe or Developing Indigenous Models?', Arbeitspapiere zur Internationalen Politik (ed. by the Research Institute of the German Society for Foreign Affairs, DGAP), No. 100, Bonn, September 1998, pp. 71-84.
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- ⁸⁵ Japan is the world's second-largest economy, responsible for 15% of the world's GDP (second only to the U.S.). U.S.-Japanese trade is valued at close to \$200 billion dollars per year - three times that of U.S.-China trade. US exports to Japan are 5-6 times those to China's. To these economic indicators and Japan's indispensable role to U.S. economic, political, and security interests see also Peter Brookes, 'Don't Bypass Japan', Pac Net Newsletter, No. 26, 26 June 1998.
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- ⁹⁰ Joon Num Mak, 'The Asia-Pacific Security Order', in: Anthony McGrew/Christopher Brook, 'Asia-Pacific in the New World Order' (London-New York: Routledge, 1998), pp. 88-120, here p. 114.
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- ⁹⁴ See Nayan Chanda, 'Foot in the Water', FEER, 9 March 2000, pp. 28-29 and 'Japan Proposes to Patrol the Strait of Malacca', Stratfor.com, 18 February 2000 (<http://stratfor.com/asia/commentary/00021180030.htm>).
- ⁹⁵ See Nayan Chanda, 'After the Bomb', FEER, 13 April 2000, p. 20.
- ⁹⁶ Article 9 says: "... the Japanese people forever renounce war as a sovereign right of the nation and the threat or use of force as means of settling international disputes. In order to accomplish the aim of the

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⁹⁷ Quoted from the article 'Forging a New Japan', Stratfor.com, 22 February 2000 (<http://stratfor.com/SERVICES/GIU/FORCAST/weekly.asp>).

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